



# An Audit of the Texas Department of Public Safety

Audit Report # 405-17-01  
February 19, 2019

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# Executive Summary

## Purpose and Scope

Objectives of the Texas Department of Public Safety (Department) audit were to determine whether:

- Payments were processed according to applicable state laws, Comptroller requirements and statewide automated system guidelines.
- Documentation to support those payments was appropriately maintained.
- Financial transactions and high-risk assets were properly recorded.
- Appropriate security over payments was implemented.

This audit is conducted by the Texas Comptroller of Public Accounts (Comptroller's office), and covers the period beginning Sept. 1, 2015, through Aug. 31, 2016.

## Background

The Texas Department of Public Safety's goals are to combat crime and terrorism, enhance highway and public safety, enhance statewide emergency management, and enhance public safety licensing and regulatory services.

Texas Department of Public  
Safety website







<https://www.dps.texas.gov/>

## Audit Results

The Department generally complied with the General Appropriations Act (GAA), other relevant statutes and Comptroller requirements. Auditors found no issues with voluntary payroll contributions, travel transactions within the sample, refunds of revenue and fixed assets. However, the Department should make improvements to the Department's payroll, purchasing, payment and travel card processes, prompt payment and payment scheduling, systems access security, and internal control structure processes.




The auditors reissued eight findings from previous audits conducted at the Department related to the following: longevity pay; prompt payment and payment scheduling; system security access; internal control structure in expenditure processing; duplicate payments; payment and travel card transaction limits, processing and recording; and missing documentation. Auditors originally issued these findings in May 2011 and September 2012. An overview of audit results is presented in the following table.

## Table Summary

Area	Audit Question	Results	Rating
<u>Payroll Transactions</u>	Did payroll transactions comply with the GAA, other pertinent statutes and Comptroller requirements?	<p>150 employee files tested</p> <p> 26 incorrect longevity payments</p> <ul style="list-style-type: none"> <li>16 incorrect hardship station payments</li> <li>Two incorrect education and certification payments</li> <li>One incorrect recruitment payment</li> <li>Three incorrect salary payment amounts</li> </ul>	Non-compliant
<u>Purchase Transactions</u>	Did purchase transactions comply with the GAA, other pertinent statutes and Comptroller requirements?	<p>403 transactions tested</p> <ul style="list-style-type: none"> <li>21 missing Centralized Master Bidders List (CMBL) printouts</li> <li>10 transactions with bid tabulation and evaluation criteria not followed</li> <li>Six transactions missing System for Award Management (SAM) search</li> </ul> <p> 10 of 34 transactions tested were duplicate payments</p>	Compliant, Findings Issued
<u>Payment Card Transactions</u>	Did payment card purchase transactions comply with all pertinent statutes and Comptroller requirements?	<p>141 documents tested</p> <ul style="list-style-type: none"> <li>28 inappropriate Texas Identification Numbers (TIN)</li> <li>14 documents had incorrect billing account numbers</li> </ul> <p> 17 documents had incorrect mail codes</p> <p>54 transactions tested</p> <ul style="list-style-type: none"> <li>53 purchases violated warrant hold statute</li> </ul> <p> 54 purchases were in excess of transaction limits</p> <p> Nine missing payment receipts and invoices</p>	Non-compliant
<u>Travel Transactions</u>	Did travel transactions comply with the GAA, other pertinent statutes and Comptroller requirements?	<p>140 documents tested</p> <p> 112 travel card documents had an incorrect mail code</p>	Compliant, Findings Issued



## Table Summary (continued)

Area	Audit Question	Results	Rating
Refund of Revenue Transactions	Did refund of revenue transactions comply with all pertinent statutes and Comptroller requirements?	No issues	Fully Compliant
<u>Prompt Payment and Payment Scheduling</u>	Did the agency comply with the prompt payment law and scheduling rules?	568 transactions tested  18 purchase and travel transactions tested where interest due was not paid, four transactions with underpaid interest, and five transactions with interest loss to the state	Compliant, Findings Issued
Fixed Assets	Were tested assets in their intended location and properly reported in the State Property Accounting System (SPA)?	No issues	Fully Compliant
<u>Security</u>	Did all system access over payment comply with all the Comptroller security guidelines?	 The Department failed to timely request system access removal for one terminated employee	Control Weakness Issues Exist
<u>Internal Control Structure</u>	Are incompatible duties segregated to the extent possible to help prevent errors or detect them in a timely manner and help prevent fraud?	 Two employees could adjust payment instructions and approve payments, and one employee could pickup warrants and approve paper vouchers	Control Weakness Issues Exist







## Key Recommendations

Auditors made several recommendations to help mitigate risk arising from control weaknesses. Key recommendations include:

- The Department must ensure all longevity pay increases and leave accruals occur at the correct times.
- The Department should enhance its internal controls to prevent incorrect payments of hardship station pay and any future underpayments in compensation.
- The Department should enhance its internal controls to ensure that commissioned peace officers are receiving the correct amounts of stipend pay and prevent any future incorrect payments.
- The Department must ensure that recruitment bonuses are recouped when an employee terminates before the agreed period of time.
- The Department must ensure that its internal operating procedures include quality control measures that will detect any incorrect payments of compensation to a state employee.
- The Department must ensure that the Centralized Master Bidders List (CMBL) search is performed for applicable purchases and that a copy of the dated CMBL search results is included in the contract file.
- The Department must obtain bids from qualified vendors for all services exceeding \$5,000, and retain bids tabulation and documentation related to the procurement process.
- The Department must ensure that the System for Award Management (SAM) search is performed prior to any purchase, award or contract renewal and maintain a copy of the search in the contract file.
- The Department must strengthen its current procedures to identify duplicate invoices or payments to ensure that it avoids making a duplicate payment to a vendor.
- The Department must ensure its transactions entered in the Uniform Statewide Accounting System (USAS) include proper employee and vendor level detail information required by the *Processing Third-Party Transactions in USAS for Payment/Travel Cards, Direct Bill Payments and Reimbursements* (FPP A.043).
- The Department must ensure payments for third-party transactions are processed in accordance with the *Processing Third-Party Transactions in USAS for Payment/Travel Cards, Direct Bill Payments and Reimbursements* (FPP A.043) and *USAS and CAPPs Financials Invoice Number Field Requirements* (FPP E.023) and credit card payments are posted correctly.
- The Department must ensure warrant hold procedures are followed by its staff.



- The Department must ensure each credit card transaction does not exceed the cardholders' authorized limits per transaction and per day, and that approval for increased limits is documented and documentation is maintained.
- The Department must ensure that no payment is made without sufficient supporting documentation, and its procedures for maintaining proper supporting documentation for all purchases is routinely reviewed and updated.
- The Department must ensure that it submits payments in a timely manner to avoid incurring interest liabilities and minimize loss of earned interest to state treasury and that, if interest is due, it is paid correctly to the vendors.
- The Department must enhance its controls to ensure compliance with the system users' termination requirements and ensure timely deactivation of system access, taking into account any special circumstances.
- To reduce risks to state funds, the Department must have controls over expenditure processing that segregate each accounting task to the greatest extent possible. Ideally, no individual should be able to process transactions without another person's involvement.





# Detailed Findings

## Payroll Transactions

Auditors developed a representative sample from a group of 150 employees of 1,415 payroll transactions to ensure that the Department complied with the GAA, the [Texas Payroll/Personnel Resource \(FPP F.027\)](#) and other pertinent statutes. Additionally, a limited sample of 40 voluntary contribution transactions were audited with no exceptions identified. Audit tests revealed the following exceptions in the payroll transactions.

## Incorrect Longevity Payments

Auditors identified 37 employees at the Department with incorrect state effective service dates. The employees were identified in a report generated outside the sample that listed prior state service. This resulted in 26 incorrect longevity pay amounts totaling \$23,300 in underpayments. Eleven of the 37 employees were in part-time positions and/or did not have enough state service credit, therefore the incorrect dates did not impact their longevity pay.

The employees noted the prior state employment on their job applications, and/or the Department's internal prior state service form, but did not receive state service credit. The Department initially believed that the error occurred during their conversion from the Uniform Statewide Payroll/Personnel System (USPS) to the Centralized Accounting and Payroll/Personnel System (CAPPS) but our office confirmed that the prior state employment for the 37 employees was not entered in USPS, so it was not a conversion issue.

Prior state service documentation is necessary to verify employees' state effective service dates and the accuracy of longevity payments. The Department's payroll policies and procedures include the verification of prior state service whenever an employee indicates prior state service in the job application and/or their internal form. The Department stated that the issues were attributable to clerical oversight in recognizing inconsistencies in the information provided by the employees on the internal form and the application/résumé.

Because of the audit, the Department verified the additional prior state service, compensated the employees for the underpayments of longevity pay, and made the required adjustments to leave accruals.

When an agency hires an employee, the agency must research whether the employee has previous state service. If prior state service exists, the agency must confirm the amount of lifetime service credit and properly record it or run the risk of underpaying longevity pay. See [Texas Payroll/Personnel Resource – Longevity Pay](#).



## Recommendation/Requirement

The Department must continue to review each employee's job application and the internal prior state service form for prior state service, and confirm that it is properly recorded to ensure that longevity pay increases and leave accruals occur at the correct times. See [34 Texas Administrative Code Section 5.40\(c\)](#).

### 34 Texas Administrative Code Section 5.40(c)(2)

Quality control measures. Each state agency must ensure that its internal operating procedures include quality control measures that will detect any underpayment of compensation to a state employee.

## Department Response

*HR revised its prior state service form, and added language about Higher Education-related employment/service (e.g. student worker/work-study), graduate assistant, teaching assistant, research assistant, and professor. HR also added language about longevity pay increases, leave accruals and the importance of identifying all prior state service.*

*HR cross-checks this internal form against the application, résumé and personal history statement to ensure all align.*

*HR ensures follow-through from other agency(ies) when the form is submitted to them for verification.*

*HR cross-checks items on the employee's first day of employment during new employee orientation.*

## Incorrect Hardship Station Payments

Auditors identified sixteen employees at the Department that received incorrect hardship station payments. While reviewing the support documentation, we encountered an interoffice memo dated Sept. 15, 2015 that authorized an increase in hardship station pay from \$200 to \$400 a month. Since the interoffice memo did not provide an effective date for the increase, the Department applied the increase effective Oct. 1, 2015.

During the audit, we encountered the same interoffice memo for another employee that received an increase in hardship station pay effective Sept. 1, 2015. Because of this, we questioned the effective date of Oct. 1, 2015 for the other 16 employees.

The Department stated that there was a misinterpretation of the effective date for the increase in hardship pay from \$200 to \$400 based on the dated approval signatures. The original intent of the memo was to authorize the increase effective Sept. 1, 2015. As a result of this, the total amount of hardship station pay underpaid for the 16 employees identified was \$3,200. See [Texas Payroll/Personnel Resource – Hardship Station Incentive](#).



The Department may designate 40 hardship duty stations across the state based on excessive vacancies and/or cost of living, and to designate specialized assignments across the state based on the type of assignments and/or skills required for the position. See [General Appropriations Act, Article V, Department of Public Safety, Rider 22](#).

The Department processed supplemental payrolls in June 2017 and paid a total of \$3,200 in hardship station pay to the affected employees.

### Recommendation/Requirement

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The Department should enhance its internal controls to prevent incorrect payments of hardship station pay and to ensure that the increases occur at the correct times to prevent any future underpayments in compensation.

### Department Response

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*The individuals underpaid hardship pay for the month of September 2015 received back pay effective June 14, 2017. Hardship station payment eligibility is associated with the CAPPs job code upon initial set-up of the position in CAPPs. Payroll then turns the payment on or off as applicable. Upon receipt of notification for hardship rate change, payroll confirms effective date of increase when not clearly stated.*

### Incorrect Education and Certification Payment Amounts

During the audit, auditors identified two employees who were not receiving the correct amounts of stipend pay for commissioned peace officers. One employee was receiving a stipend of certification pay in the amount of \$150, but was only eligible for a stipend of certification pay in the amount of \$50. The other employee was eligible for a stipend of education pay in the amount of \$100 but was not receiving it.

The Department may pay monthly salary stipends to employees classified as commissioned peace officers who achieve certain levels of skill or certifications, including education, commission on law enforcement certification, and bilingual capabilities. See [General Appropriations Act, Article IX, Section 3.12\(b\)](#).

The amount of certification pay paid to an eligible employee is based on the level of certification attained on the Commission on Law Enforcement (TCOLE) Certification exam as follows:

- \$50 per month for certification at intermediate level.
- \$100 per month for certification at advance level.
- \$150 per month for certification at master level.





The amount of education pay paid to an eligible employee is based on the type of degree held by the employee as follows:

- \$50 per month for an associate degree.
- \$100 per month for a bachelor degree.
- \$150 per month for a master degree.

In 2010, the Department received notification from TCOLE stating that an employee was eligible for certification pay in the amount of \$100 for the advanced level of certification attained. At that time, the employee had not taken a TCOLE exam and was not eligible for any certification pay. In 2013, the Department again received notification from TCOLE stating that the same employee was eligible for \$50 in certification pay for the intermediate level of certification attained. At that time, the Department should have questioned the fact that the employee was already receiving \$100 in certification pay but it did not. Subsequently, the Department added an additional \$50 certification pay to the erroneous amount the employee was already receiving. This resulted in an overpayment of certification pay in the amount of \$8,400.

For the underpaid employee, the incorrect payment of education pay occurred because the Department did not enter the bachelor degree designation held by the employee in the system therefore there was not a tracking mechanism in place to help monitor eligibility for education pay. As a result, this employee was underpaid \$3,200 in education pay.

The Department attributed the incorrect stipend payments to clerical oversight. As a result of the audit, the Department conducted a self-audit in Feb. 2017 for all commissioned personnel to ensure that they were receiving the correct amounts of stipend pay.

The Department entered into an agreement with the first employee to reimburse the agency beginning with the June 2018 pay period. Additionally, the Department processed three supplemental payrolls starting in March 2017 to compensate the second employee for the education pay underpayment of \$3,200. See [Texas Payroll/Personnel Resource – Certification Pay, Education Pay and Bilingual Pay](#).

## Recommendation/Requirement

The Department should enhance its internal controls to ensure that commissioned peace officers are receiving the correct amounts of stipend pay to prevent any future incorrect payments. The Department should continue to conduct periodic self-audits to ensure stipend payments are correct.



## Department Response

*HR conducted a comprehensive audit of all commissioned peace officer files.*

*HR continues to conduct regular audits and cross-checks upon receipt of information from peace officers and upon entering the information into the TCOLE system to ensure they match.*

## Incorrect Recruitment Bonus Amount

During the audit, auditors found that the Department did not seek reimbursement for a portion of a \$5,000 one-time recruitment bonus, awarded Dec. 1, 2015.

The employee terminated employment with the Department on May 13, 2016, completing five complete calendar months of employment after the bonus award date. As a result, the employee was required to return a pro-rated amount of \$2,916.66 to the Department.

The Department has a process in place to address the reimbursement of overpayments but in this instance the Department stated they failed to follow up after encountering push back from the employee on initial contact.

The Department sent an email on Sept. 11, 2017 requesting that the employee remit payment to the Department for the overpayment amount. The employee contacted the Department the same day and stated that she did not agree with the amount of overpayment. Additionally, she stated that she had entered into an agreement to repay only the net of the amount received.

The Department agreed to give her credit and use the hire date in the calculation instead of the bonus award date, as outlined in statute. Using the hire date made it appear incorrectly that the employee was employed with the Department for six continuous months after the bonus award date instead of the actual five continuous months of employment.

The Department calculated the overpayment amount to be \$2,500, of which \$2,308.75 is the net amount after payroll taxes. The Department then erroneously deducted taxes a second time, resulting in a net amount of \$2,132.13, which it requested from the former employee. The former employee reimbursed the Department \$2,132.13 on Sept. 18, 2017. The former employee still owes \$784.53.

To enhance the recruitment of competent personnel for certain classified employee positions, a state agency, other than an institution of higher education, may provide additional compensation in the form of a one-time recruitment payment not to exceed

If the employee terminates employment for any reason, within three months or longer but less than 12 months after receiving the bonus, the employee must refund to the state agency a pro-rated amount. See [Texas Payroll/Personnel Resource – Recruitment and Retention Bonuses](#) and [Texas Government Code, Chapter 659.262](#).



\$5,000. In order to maintain the eligibility for the full bonus amount, the employee must agree to remain employed with the agency for 12 continuous months after the bonus award.

## Recommendation/Requirement

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The Department must review its controls to ensure accuracy and completeness, as well as guarantee that its internal operating procedures include quality control measures that will detect and prevent any overpayments of compensation to a state employee. See [34 Texas Administrative Code Section 5.40\(c\)](#). The Department must ensure that it recoups any recruitment bonuses from employees who terminate before the agreed period of time.

## Department Response

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*Although the recruitment bonus is still an authorized payment, DPS has significantly decreased the use this program, with the last bonus awarded in 2015.*

*Upon notice that an employee has terminated prior to completing the required period of employment, within 10 working days the employee will be notified of the calculated amount to be paid back. If the employee fails to reimburse the full amount due, they will be placed on warrant hold.*

## Incorrect Salary Payment Amounts

During the audit, auditors identified three employees at the Department who received incorrect payment amounts. One employee was identified in a report outside the sample that listed incorrect salary payments and the other two employees were part of the sample.

One employee received payment twice for the December 2015 pay period. This occurred when the employee had exhausted their available paid leave and the Department was required to deduct the insufficient hours from their pay. The Department submitted a stop payment request to prevent the original payment from processing, but it was overlooked. This resulted in the employee receiving a payment for \$2,514.58, for the entire month of December 2015 and was processed on Jan. 4, 2016. In addition to receiving the incorrect salary payment, the employee received an \$80 longevity payment. When the pay deduction was submitted, a second payment of \$1,786.85 was processed on Jan. 14, 2016 to compensate the employee for the adjusted work hours of 130.75. The payment also included an additional \$80 longevity payment. This resulted in an overpayment of \$2,594.58. The employee terminated employment with the Department on April 22, 2016.





The Department sent the individual an email on Dec. 27, 2017 requesting that the individual remit payment to the Department for the overpayment amount. To date, the employee has not reimbursed the Department for the amount overpaid.

The other two employees were paid incorrect amounts of overtime pay based on incorrect special pays used to arrive at the regular rate of pay. For overtime payments, the regular rate of pay includes any special payments such as longevity, hazardous duty pay, benefit replacement pay, qualified bonus payments and other special payments.

One employee was receiving an amount of certification pay that was more than the eligible amount; the other employee was not receiving education pay that he was eligible for. This resulted in an overpayment of \$161.41 and an underpayment of \$50.62 for the overtime transactions audited.

The Department entered into an agreement with the employee to reimburse the \$161.41 overpaid. Additionally, the Department processed a supplemental payroll to compensate the second employee the \$50.62 underpaid.

Agencies are required to maintain specific documentation to support the legality, propriety, and fiscal responsibility of each payment made out of the agency's funds. The Comptroller's office may require the documentation to be made available during a post-payment audit, a pre-payment audit, or at any other time. See [Texas Payroll/Personnel Resource – Required Documentation](#). Additionally, refer to the [Texas Payroll/Personnel Resource – Overtime](#).

## Recommendation/Requirement

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The Department must ensure that its internal operating procedures include quality control measures that will detect any incorrect payments of compensation to a state employee.

## Department Response

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*The employee who was overpaid salary and longevity entered into a pay-back agreement on Nov. 26, 2018, to reimburse the agency in full in three payments. Should the employee fail to pay, they will be placed on warrant hold.*

*The employee underpaid overtime, has received payment processed on payroll.*

*The employee overpaid overtime has entered into an agreement to reimburse the Department, and is current on his payments.*

*Internal quality control measures include HR and payroll reviewing supporting documentation against a daily CAPPS transaction report.*



## Purchase Transactions

Auditors developed a representative sample of 403 purchase transactions to ensure that the Department complied with the GAA, [eXpendit \(FPP I.005\)](#), the [State of Texas Procurement and Contract Management Guide](#) and other pertinent statutes. Additionally, the audit included a review of a duplicate payment report, which registers data related to multiple payments to a vendor for the same good or service. Audit tests revealed the following exceptions in the purchase transactions.

## Missing Centralized Master Bidders List Solicitation

During the audit, auditors identified 21 purchase transactions (from four vendors) totaling \$20,281,172.36, where the Department failed to provide the CMBL profile printout listing all eligible suppliers dated prior to their respective awards. For two of the transactions, the Department provided the vendor profile printouts, but they did not include the search/print date.

Agencies must print out the awarded vendor's CMBL profile showing the expiration date for file documentation. See [State of Texas Procurement and Contract Management Guide](#) – Centralized Master Bidders List (CMBL).

### Centralized Master Bidders List (CMBL)

The CMBL is a database of registered vendors who have provided contact information, as well as a list of the goods and services they offer. Unless exempted by law, the CMBL must be used for all procurements subject to the authority of the Statewide Procurement Division and to gather information for noncompetitive procurement processes and vendor performance data.

## Recommendation/Requirement

The Department must utilize the CMBL to ensure adherence to the rules and laws that govern Texas state government procurement and contract management practices. A dated copy of the CMBL solicitation results must be retained as evidence of the vendor search and included in the contract file. See [Texas Government Code, Section 2155.263-2155.264](#) and [34 Texas Administrative Code Section 20.107](#).

## Department Response

*In the FY 2016 Annual Procurement Plan (page 50) submitted to the Comptroller's office, the agency had the authority to supplement the Central Master Bidders List (CMBL) per Texas Administrative Code Rule §20.107(h) and Texas Government Code §2155.269. During this time frame, the agency's procurement system, called BuySpeed eProcurement, downloaded CMBL vendors and other vendors that were registered through the agency's procurement system.*

*Currently, DPS utilizes the Central Master Bidders List (CMBL) for all bid solicitations for goods and services over \$5,000. As of Sept. 1, 2017, all solicitations are issued outside of the BuySpeed eProcurement System utilizing the CMBL for all solicitations.*



*Procurement and Contract Services (P&CS) is currently updating the P&CS Procurement Checklist based on the State of Texas "Post-Payment & Procurement Review Agency Document Checklist," and will complete updating the checklist by Feb. 28, 2019. The updated checklist will include a requirement for purchasers to sign and certify that the required CMBL documentation is attached to the procurement file.*

## **Bid Tabulation and Evaluation Criteria Not Followed**

Auditors identified 10 transactions (three vendors) totaling \$4,188,939.50, where the Department was missing bid tabulations and did not have documentation to prove that it followed procurement procedures by obtaining bids from multiple vendors.

The bid or proposal solicitation document is the first official evidence to the vendor community that an ordering entity intends to procure a good or service. The solicitation document serves as the official instructions explaining the ordering entity's requirements and how the vendor(s) will be selected. It is imperative that the agency include terms and conditions specific to the agency's solicitation, regardless of the type of solicitation document used. See [34 Texas Administrative Code Section 20.214](#) and the [State of Texas Procurement and Contract Management Guide](#) – Evaluation – Bid Tabulation Process.

The Department must use the open market informal solicitation method for all contracted services between \$5,000 and \$25,000. Open market formal solicitation is used for agency-administered open market purchases of services greater than \$25,000 and for commodities if delegated by SPD or through statutory authority specific to an agency. See the [34 Texas Administrative Code Section 20.82](#).

Not obtaining bids from multiple vendors increases the risk of the Department paying more for services than necessary, and might also result in a more qualified vendor not being used.

## **Recommendation/Requirement**

The Department must obtain bids from qualified vendors for all services exceeding \$5,000. It must ensure that all bids are tabulated, and that documentation related to the procurement process is retained.

## **Department Response**

*DPS utilizes the Central Master Bidders List (CMBL) for all bids solicitations for goods and services over \$5,000.*

*As of Sept. 1, 2017, P&CS began utilizing the bid tabulation template and bids outside of the BuySpeed eProcurement System for P&CS staff. Additional enhanced training was provided to P&CS staff for the bid tabulation.*





*On Oct. 27, 2018, DPS assigned a cost evaluator who is now the lead for all bid tabulations, evaluation criteria and the scoring strategies project.*

*P&CS is currently updating the P&CS Procurement Checklist based on the State of Texas "Post-Payment & Procurement Review Agency Document Checklist," and will complete updating the checklist by Feb. 28, 2019. The updated checklist will include a requirement for purchaser to sign and certify that the bid tabulation documentation is attached to the procurement file.*

## Missing System for Award Management Search Documentation

Auditors identified one contract with six transactions totaling \$143,124, where the Department did not provide the required SAM printouts dated prior to its respective contract awards. According to the Department, missing SAM printouts were an oversight.

Agencies must not award contracts to vendors who have been barred from contracting by the federal government. The SAM is the electronic database of the Lists of Parties Excluded from Federal Procurement and Non-procurement Programs. It identifies vendors excluded throughout the U.S. government from receiving federal contracts or certain subcontracts, and from certain types of federal financial and non-financial assistance and benefits. The SAM system must be checked no more than seven days prior to any purchase, award or contract renewal made by Texas government entities.

See [State of Texas Procurement and Contract Management Guide](#) – SAM Check.

## Recommendation/Requirement

The Department must conduct a SAM search prior to any purchase, award or contract renewal. Because SAM may update these databases more than once in a 24-hour period, a final check of the Special Designated Nationals (SDN) listing must be made prior to any contract award to ensure the Department does not award contracts to any person or vendor whose name appears on the SDN list. A copy of the SAM search results from the specified website must be used as evidence of the vendor search performed by the agency, and must be included in the contract file.

## Department Response

*P&CS is updating the P&CS Procurement Checklist based on the State of Texas "Post-Payment & Procurement Review Agency Document Checklist," and will complete updating the checklist by Feb. 28, 2019. The updated checklist will include a requirement for purchasers to sign and certify that the required SAM search and other vendor compliance searches have been conducted, and that search documentation is attached to the procurement file.*



## Duplicate Payments

Auditors ran a report to identify potential duplicate payments processed by the Department during the audit period. The original report listed 640 pairs of transactions that appeared to be duplicate payments. Auditors selected 34 pairs of transactions for review and requested the Department's assistance in making the determination. As a result, 10 sets of transactions totaling \$76,551.20 were confirmed to be duplicates. According to the Department, in some cases two different employees processed the payment and posted the transaction. In other cases the payments were made from different systems. The Department also noted that the duplicated payments were later credited to future payments.

### Recommendation/Requirement

The Department must strengthen its current procedures to identify duplicate invoices or payments to ensure that it avoids making a duplicate payment to a vendor. The accounting staff should ensure that invoices and payments are reconciled in an effort to prevent duplicate payments.

### Department Response

*The Department has implemented a new accounting system, CAPPs, that will warn the user when duplicate invoices are entered for payment. The Department has strengthened their process by training staff who enter payments on the duplicate invoice warning message from the new accounting system.*

## Payment Card Transactions

Auditors were unable to select a sample for the payment card transactions processed in USAS during the audit period due to a lack of necessary vendor and transaction detail. Due to the way the Department entered the transactions in USAS, the review of these transactions did not include tests of whether the payment card purchases or payments were made in accordance with the GAA, [eXpendit](#), the [State of Texas Procurement and Contract Management Guide](#), or other pertinent statutes.

Additionally, the audit included a review of two special reports ran for the Department outside the sample as part of our regular audit process.

### [Processing Third-Party Transactions in USAS for Payment/Travel Cards, Direct Bill Payments and Reimbursements \(FPP A.043\)](#)

Agencies and institutions are required to design their internal accounting systems or method used for entry into USAS to provide the Comptroller's office with the original detailed third-party transactions' vendor information that is essential to an accountable and open government. Third-party information is also required for post payment auditing purposes.



1. The first special report lists incorrect Texas Identification Numbers (TIN), incorrect T-codes used on third-party transactions, and incorrect invoice number format in compliance with FPP A.043 and FPP E.023. The audit of 140 credit card documents included in this report identified transactions with incorrect processing of third-party payments totaling over \$28 million.
2. The second special report listed payment card transactions from Citibank's (the payment card program vendor) system was used by auditors to determine whether the payment card purchases or payments were in accordance with the GAA, eXpendit, the *State of Texas Procurement and Contract Management Guide*, and other pertinent statutes. The audit of a sample of 54 transactions totaling over \$188,000 identified errors related to all 54 transactions.

All related audit tests revealed the following exceptions in the payment card transactions:

### Incorrect/Inappropriate Texas Identification Numbers

In the first special report, auditors identified 28 Citibank payment card documents totaling \$18,453,023.62, where the incorrect and/or the inappropriate TIN was used. Auditors also identified many of these transactions in USAS, but were unable to select a payment card sample from these USAS transactions because the transactions lacked the necessary vendor and transaction detail. Because of the way the Department entered the transactions in USAS, our review was limited to obtaining a sample of transactions from Citibank, the payment card program vendor's system, to determine whether the payment card purchases or payments were made in accordance with the GAA, [eXpendit](#), the [State of Texas Procurement and Contract Management Guide](#), or other pertinent statutes.

The Department used a non-specific payment card TIN to process 26 payment documents totaling \$18,134,941.70. This non-specific TIN was intended for use with infrequent, non-repetitive, small purchases when establishing a vendor TIN and profile would be inconvenient. It was not intended for agencies to lump multiple payments for millions of dollars under one system entry.

Additionally, the Department used the incorrect TIN of the payment card vendor (Citibank) when processing two documents, totaling \$318,081.92, instead of the TIN of the original vendor associated with the expense.

The Comptroller's office captures vendor-level detail in USAS for public information requests, historically underutilized business (HUB) reporting and more. Agencies and institutions are required to design their internal method used for entry into USAS to provide the Comptroller's office with the original detailed third-party transaction's vendor information that is essential to an accountable and open government. Third-party information is also required for post-payment auditing purposes.





Improper processing procedures can result in the inaccurate reporting of expenditures for public information requests. See [FPP A.043](#), which explains how state agencies and institutions of higher education must process third-party payments through USAS.

## Recommendation/Requirement

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The Department must modify or update its internal accounting system or method used for entry into USAS to ensure that USAS, the accounting system of record for Texas state government includes proper employee and vendor-level detail information required by [FPP A.043](#). This information is essential to an accountable and open government. It is also used for public information requests and post-payment auditing purposes.

## Department Response

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*A payment card work group has been formed to re-engineer the processes currently used to prevent the third-party vendor ID from being included in the transaction. This recommendation will require programming changes to the systems currently used to process these payments in USAS and CAPPs. The Department has been working with Citibank on tools available to address audit findings.*

## Incorrect Billing Account Number

Auditors ran a report outside of the sample to identify potential payments processed incorrectly to third-party vendors during the audit period. Auditors identified 14 payment card documents processed incorrectly to the state's payment card vendor. The incorrect payments totaled \$12,024,383.48.

The Department failed to provide the correct billing account number as prescribed by [FPP A.043](#) and [FPP E.023](#). Both of these policies require that the last 10 digits of the central billed account (CBA) number is to be used as the invoice number in USAS and CAPPs when processing CBA card payments. If the agency wishes to include other information after the 10 digits, such information must be separated from the 10 digits with a dash (-), without spaces before or after the dash.

Entering procurement and travel card transactions in USAS or CAPPs Financials requires special consideration for timely payment reconciliation. The risk exists that payments missing the correct information in the invoice number field will not post to the correct account(s) on a timely basis, leading to the account(s) becoming delinquent and ultimately resulting in lost rebate dollars. Citibank's system posts payments received from the state based on information in USAS and CAPPs Financials, and the automated interface expects the last 10 digits of the CBA number, with no spaces or dashes. If Citibank's system retrieves an unexpected value due to incorrect entry in the invoice number field, it will be unable to post the payment automatically, and Citibank must then manually research the rejected entry and post the payment to the correct account, which may cause delays in posting.



Also, FPP A.043 and FPP E.023 are consistent with the current Payment Card Industry (PCI) Data Security Standard (DSS). The DSS requirement "Protect stored cardholder Data" (Requirement 3) dictates that the primary account number be rendered unreadable anywhere it is stored. This can be done by truncating a portion of the account number. The FPPs require truncating the first six digits of the CBA number. Therefore, the FPPs should be fully and consistently followed for every payment transaction.

## Recommendation/Requirement

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The Department must enhance its procedures to ensure payments for third-party transactions are processed in accordance with [FPP A.043](#) and [FPP E.023](#). To avoid any account delinquency or reconciliation issues, we recommend the Department review payment card statements to ensure the payments were posted correctly.

## Department Response

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*The Department implemented the use of the correct billing account number to ensure payments were posted correctly according to central billed accounts and according to Fiscal Policy and Procedures FPP A.043 and FPP E.023.*

## Incorrect Mail Code Used for Payment Card Transactions

The Department processed 17 purchase card documents totaling \$19,344,575.63 using the incorrect mail code (024). Using this code is in violation of the Comptroller's policy requirements prescribed by [FPP A.043](#).

## Recommendation/Requirement

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The Department must enhance its procedures to ensure payments for third-party transactions are processed in accordance with [FPP A.043](#). The Department should ensure that the transactions processed would provide the Comptroller's office with the original detailed third-party transactions' vendor information that is essential to an accountable and open government, fulfilling public information requests, historically underutilized business (HUB) reporting, and is also required for post-payment auditing purposes.

## Department Response

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*The Department implemented the correct mail code per Fiscal Policy and Procedure (FPP) A.043 on purchase card payments.*



## Violations of Warrant Hold Statutes and Payment Made to Vendor on Warrant Hold

The Department did not perform a warrant-hold check on 53 card vendors to determine whether the vendors were indebted to the state, or on warrant hold, before making the payment. The Department also made one payment to a vendor who was on warrant hold. The Department is not following its own procedures. According to the Department's policy and procedures "DPS Payment Card Program – General Procedures – Quick Check for Credit Card Transactions":

The warrant hold statutes are:

- [Texas Education Code, Sections 57.48, 57.482,](#)
- [Texas Family Code, Section 231.007](#) and
- [Texas Government Code Section 403.055](#) and [Section 2107.008.](#)

- Determine what you need to purchase, check the Vendor HOLD status prior to making the purchase, and submit the documentation attached to the receipt along with the monthly billing statement.

A state agency may not pay vendors or reimburse an officer or employee from petty cash, local funds and/or travel advances for a purchase if a payment is prohibited by warrant hold statute. See [34 Texas Administrative Code Section 5.57\(g\)\(6\)](#).

USAS automatically checks vendor warrant-hold status for payments processed through the system. It is the Department's responsibility to check vendors, officers and employees that are not paid directly through USAS before issuing travel advances or vendor payments.

### Recommendation/Requirement

The Department must ensure that its procedures to verify warrant-hold status before completing payment card transactions are being followed by its staff. See [Warrant Hold \(FPP E.037\)](#), Hold Inquiry Screens.

### Department Response

*The Department has updated the policy and procedures of the Payment Card (ACT 60) for the Warrant Hold per Fiscal Policies & Procedures (FPP E.037). The Department's updated policy requires documentation of vendor warrant hold search as part of purchase card log support.*

## Purchases in Excess of Authorized Transaction Limits

Auditors identified 54 transactions where the Department's card holders purchased and paid more than their authorized limit for each transaction. According to the Department's policies and procedure, Section IV, General Information, Paragraph B,





Controls and Purchasing Thresholds, the "single purchase limit" is \$2,000, while the "spending limit per cardholder per billing cycle" is \$10,000, unless a request to increase the amount is approved by the chief financial officer. The Department explained that some of the cardholders' limits were increased; however, documentation showing the increased authorization was not provided.

## Recommendation/Requirement

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The Department must properly review and compare the card holders' purchases to the authorized transaction limits for each cardholder to ensure that each transaction does not exceed the cardholders' authorized limits per transaction and per day. Any approval for increased limits should be part of the documentation.

## Department Response

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*The Department has reviewed and revised the Payment Card Policy and Procedures for supporting documentation of approvals for increased transaction limits that is now included as back-up documentation to the transactions.*

## Missing Payment Card Receipt and Invoice

Auditors identified nine payment card transactions, of the 54 transactions selected for review, that were missing the payment card receipts, and two transactions that were missing the invoices to verify receipt of goods purchased and to support the payments. The Department was unable to locate the required documents. The Department is not following its own procedures. According to the Department's policy and procedures "DPS Payment Card Program – General Procedures – Quick Check for Credit Card Transactions":

- An itemized and legible receipt is required. If an itemized receipt is unavailable from the vendor, indicate "Only Receipt Received" on the charge slip. Ensure the receipt/charge slip describes each item purchased – if not, write a description of the items on the receipt for future reference.
- Keep the cash register receipt and/or charge-card receipt. They must be turned in with your Citibank monthly billing statement.

Without proper documentation, we could not determine whether the information entered into USAS was an accurate reflection of the intended purchases made. Proper documentation must be maintained to verify that payments are valid, and to ensure a proper audit trail.

Per [34 Texas Administrative Code Section 5.51\(c\)\(1\)\(D\)](#), it is the responsibility of a state agency and its officers and employees to ensure that for each purchase document, the agency maintains necessary documentation for proving that each payment resulting from the document is legal, proper, and fiscally responsible.



Supporting documentation must be made available to the Comptroller's office in the manner required. The types of supporting documentation that the Comptroller's office may require include purchase orders, requisitions, contracts, invoices and receipts. See [34 Texas Administrative Code Section 5.51\(e\)\(2\)-\(3\)](#).

## Recommendation/Requirement

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The Department must ensure that no payment is made without sufficient supporting documentation. The Department must also ensure that it creates and maintains supporting documentation for audit review. The Department should review and update its procedures for maintaining proper supporting documentation for all purchases.

## Department Response

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*The Department developed payment processes to only pay Citibank for transactions that are properly documented, authorized, and have passed audit.*

## Travel Transactions

Auditors developed a representative sample of 165 travel transactions to ensure the Department complied with the GAA, [Textravel \(FPP G.005\)](#), and other pertinent statutes.

Additionally, the audit included a review of a special report that lists incorrect Texas Identification Numbers (TIN), incorrect T-codes used on third-party transactions, and incorrect invoice number format in compliance with [FPP A.043](#) and [FPP E.023](#). The audit of 140 credit card documents included in this report identified transactions with incorrect processing of third-party payments totaling over \$28 million.

The audit test of 165 travel transactions in the sample revealed no exceptions. However, the audit test of the special report transaction revealed the following exceptions in the travel card transactions:

## Incorrect Mail Code Used for Travel Card Transactions

The Department processed 112 travel card documents totaling \$8,347,991.09 using the incorrect mail code (045). The use of this code is in violation of the Comptroller's policy requirements prescribed by [FPP A.043](#). The policy requires that agencies use the 905-transaction line for payment cards which carries the TIN of the travel card vendor (Citibank) and the mail code established for this coding block which is 046 and not 045.



## Recommendation/Requirement

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The Department must enhance its procedures to ensure payments for third-party transactions are processed in accordance with [FPP A.043](#). The Department should ensure that the transactions processed would provide the Comptroller's office with the original detailed third-party transactions' vendor information that is essential to an accountable and open government, used for public information requests, historically underutilized business (HUB) reporting, and is also required for post-payment auditing purposes.

## Department Response

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*The Department implemented the correct mail code per Fiscal Policy and Procedure (FPP) A.043 on travel card payments.*

## Refund of Revenue Transactions

Auditors developed a representative sample of 45 transactions relating to refund payments. The review consisted of verifying that the provided documentation reconciled with the payment amount in the sample. Audit tests revealed no exceptions.

## Prompt Payment and Payment Scheduling

Auditors audited Department's compliance with the prompt payment law and scheduling rules. Audit tests revealed the following exceptions:

### Prompt Payment and Payment Scheduling Issues

#### Prompt payment

According to the prompt payment law, [Texas Government Code, Section 2251.021\(a\)](#), a governmental entity's payment is overdue on the 31st day after the later of:

- The date the governmental entity receives the goods under the contract,
- The date the performance of the service under the contract is completed, or
- The date the governmental entity receives an invoice for the goods or service.

The Comptroller's office computes and automatically pays any interest due under the prompt payment law when the Comptroller's office is responsible for paying the principal amount on behalf of the agency. See [Texas Government Code, Section 2251.026](#).

During the audit period, the Department paid vendors \$211,681.01 of prompt payment interest.





In our sample, we identified 12 purchase transactions and six direct-billed travel transactions that were paid late but interest was not paid to the vendors. Auditors also noted four purchase transactions that underpaid interest to the vendor.

### Payment scheduling

[Texas Government Code, Section 2155.382\(d\)](#), authorizes the Comptroller's office to allow or require state agencies to schedule payments that the Comptroller's office will make to a vendor. The Comptroller's office must prescribe the circumstances under which advance scheduling of payments is allowed or required; however, the Comptroller's office must require advance scheduling of payments when it is advantageous to the state.

Auditors identified five purchase transactions where the Department paid early, resulting in interest loss to state treasury.

### Recommendation/Requirement

The Department must review its procedures to ensure that it submits payment information for processing as well as releasing payment in a timely manner to avoid incurring interest liabilities. In addition, the Department must verify that proper due dates are entered to ensure that, if interest is due, it is paid correctly to the vendors.

To minimize the loss of earned interest to the treasury, the Department must schedule all payments that are greater than \$5,000 for the latest possible distribution, and in accordance with its purchasing agreements as described in [eXpendit – Payment Scheduling](#) and [eXpendit – Prompt Payment](#).

### Department Response

*The Department required all staff to complete the prompt payment/payment scheduling training in FM Training Center by December 2016. In February and March 2017, all staff attended Specialized Prompt Payment/Payment Scheduling conducted by the Expenditure Assistance team from the Comptroller's office.*

*Accounts Payable has reviewed and updated internal policies regarding prompt payment/payment scheduling. In addition, the Department has implemented a new internal accounting system, CAPPs.*

### Fixed Assets

Auditors developed a representative sample of 15 transactions to test for accurate reporting and to verify existence of assets. All the assets selected were in offsite locations. The auditor requested and obtained a photo of the asset and tag number of all the assets. The Department disposed 44 assets with a purchase value of \$132,589.25 and a net book value of \$13,112.16 during the audit period. Twelve of the transactions were listed as stolen. Audit tests revealed no fixed assets exceptions.



## Security

The audit included a security review to identify any of the Department's employees with security in USAS, USPS, or on the voucher signature cards who were no longer employed or whose security had been revoked. Upon termination or revocation, certain deadlines must be observed so that security can be revoked in a timely manner. Audit tests revealed the following security exception.

### Failure to Request Security Access Removal

During the audit period, the Department did not notify the Comptroller's office about the expired authority of one employee designated by the Department to approve its expenditures. The Department stated that the error was an oversight. The lack of timely notification meant the employee retained USAS security for two days after the employee's authority expired. The employee could have approved expenditures submitted to the Comptroller's office during that time. Any expenditure that was approved under the employee's expired authority would have constituted an unapproved expenditure. Auditors noted that there were no expenditures submitted by the employee after the termination date.

An agency must notify the Comptroller's office whenever a designated employee changes jobs or terminates employment. See [34 Texas Administration Code Section 5.61\(k\)](#). Any officer or employee may send the Comptroller's office notification of termination or revocation. See [34 Texas Administrative Code Section 5.61\(k\)\(3\)\(B\)](#). Additionally, this citation does not specify how the Comptroller's office must be notified about designated employees' terminations. Therefore, the Comptroller's office will accept emails, faxes, letters, memos or other writings in advance of the expiration date, as long as the writings indicate that the designated employee has terminated employment, had security revoked or will experience either a revocation or termination in the near future, and the notification specifies the effective date of the revocation and termination.

### Recommendation/Requirement

The Department must enhance its controls to ensure compliance with the system users' termination requirements. The Department must also ensure that the person responsible for sending the notification to the Comptroller's office is aware of the designated employee's termination on or before the termination becomes effective, and follows through with the Comptroller's office to ensure that termination is timely, taking into account any special circumstances.



## Department Response

*The Department has implemented a process to ensure all terminated employees' access is removed. Each week Financial Reporting receives a list of employees that have terminated employment. This list is run off the payroll system and is checked against the list of current employees with USAS access. This step is in addition to removing employees' access when the supervisor submits termination paperwork to the Lock Security Administrator (LSA).*

## Internal Control Structure

The review of the Department's internal control structure was limited to obtaining reports identifying current users' access. The review did not include tests of existing mitigating controls. The audit tests conducted revealed the following exceptions in user access.

## Control Weakness Over Expenditure Processing

As part of the planning process for the post-payment audit, auditors reviewed certain limitations that the Department placed on its accounting staff's abilities to process expenditures. Auditors reviewed the Department's security in USAS, USPS, TINS and voucher signature cards that were in effect on Dec. 6, 2016. Auditors did not review or test any internal or compensating controls that the Department may have relating to USAS, USPS or TINS security or internal transaction approvals. During the review we noted the following:

- Two employees had the ability to adjust payment instructions in TINS and approve vouchers, and
- Another employee could pick-up warrants from the Comptroller's office and approve paper vouchers.

The Department was given a schedule of this finding during fieldwork.

Auditors ran a report to determine whether any Department payments processed through USAS or USPS during the audit period because of the action of only one person. Auditors identified five USAS documents that were either entered and approved, or altered and approved, by the same person without electronic oversight. These documents resulted in payments totaling \$1,734.77. The Department received an electronic copy of this report during fieldwork.

The Department stated that the overlapping security was an oversight.





## Recommendation/Requirement

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To reduce risks to state funds, agencies must have controls over expenditure processing that segregate each accounting task to the greatest extent possible. Ideally, no individual should be able to process transactions without another person's involvement.

The Department must implement the following recommendations:

- The Department must limit the access of users who can enter/change voucher or release/approve batch in USAS to view-only access in TINS (PTINS02). An individual must not be able to create a vendor or change a vendor profile, create a payment, and approve the payment
- The Department must also limit user access by removing the user from the Agency Authorization for Warrant Pickup list or by removing the user from the Department's signature card file.

## Department Response

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*The Department has updated the signature card as a result of the audit field work to ensure staff who release/approve batches in USAS are not authorized to pick up warrants.*

*Security changes have been made to change the TINS access to inquiry only for the individual who could also enter vouches. The Department will review TINS security and new employee set-ups for the proper TINS security.*



# Appendices

## Appendix 1 — Objectives, Scope, Methodology, Authority and Team

### Audit Objectives

The objectives of this audit were to:

- Ensure payments are documented so a proper audit can be conducted.
- Ensure payment vouchers are processed according to the requirements of the Uniform Statewide Accounting System (USAS) and either:
  - The Uniform Statewide Payroll/Personnel System (USPS),
  - The Standardized Payroll/Personnel Report System (SPRS) or
  - The Human Resource Information System (HRIS).
- Verify payments are made in accordance with certain applicable state laws.
- Verify assets are in their intended locations.
- Verify assets are properly recorded for agencies and institutions of higher education that use the State Property Accounting (SPA) system.
- Verify voucher signature cards and systems security during the audit period are consistent with applicable laws, rules and other requirements.

### Audit Scope

Auditors audited a sample of the Texas Department of Public Safety's (Department) payroll, purchase and travel transactions that processed through the Uniform Statewide Accounting System (USAS) and the Uniform Statewide Payroll/Personnel System (USPS) during the period beginning Sept. 1, 2015 through Aug. 31, 2016, to determine compliance with applicable state laws.

*Texas law requires the Texas Comptroller of Public Accounts (Comptroller's office) to audit claims submitted for payment through the Comptroller's office. All payment transactions are subject to audit regardless of amount or materiality.*

The Department receives appendices with the full report that includes a list of the identified errors. Copies of the appendices may be requested through a [Public Information Act](#) inquiry.

The audit provides a reasonable basis for the findings set forth in this report. The Department should implement the recommendations listed in the Detailed Findings of this report. It is the Department's responsibility to seek refunds for all overpayments unless it determines it is not cost effective to do so. If necessary, the Comptroller's office may take the actions set forth in Texas Government Code, Section 403.071(h), to ensure that the Department's documents comply in the future. The Department must ensure that the findings discussed in this report are resolved.



## Audit Methodology

The Expenditure Audit section uses limited sampling to conduct a post-payment audit.

## Fieldwork

Each auditor in the Expenditure Audit section approaches each audit with an appropriate level of professional skepticism based upon the results of the initial planning procedures.

If an auditor suspects during an audit that fraud, defalcations or intentional misstatement of the facts has occurred, the auditor will meet with his or her supervisor, the Statewide Fiscal Oversight manager, or both, to decide what course of action or additional procedures would be appropriate.

## Audit Authority

State law prohibits the Comptroller's office from paying a claim against a state agency unless the Comptroller's office audits the corresponding voucher.

- Texas Government Code, Sections 403.071(a), 403.078, 2103.004(a)(3).

State law allows the Comptroller's office to audit a payment voucher before or after the Comptroller's office makes a payment in response to that voucher.

- Texas Government Code, Section 403.071(g)-(h).

In addition, state law authorizes the Comptroller's office to conduct pre-payment or post-payment audits on a sample basis.

- Texas Government Code, Sections 403.011(a)(13), 403.079, 2155.324.

## Audit Team

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## Appendix 2 — Follow Up Notes on Prior Post-Payment Audit

Prior post-payment audits of the Department's transactions were concluded on May 27, 2011 and Sept. 6, 2012.

In a follow-up on the status of the corrective actions taken to ensure compliance, we noted the following:

### **Deficiencies in the Payment Card Process and Inadequate Documentation for Payment Cards**

In the status update response, the Department indicated that a process to ensure an accurate audit by accounts payable of the payment card logs and supporting documentation prior to paying the Citibank bill could not be developed, despite working with Comptroller and Citibank staff. Additionally, the Department indicated that the recommended process increases the risk of delinquent balances and increased interest cost.

However, the Department did not consider sanctions for offenders who are late sending their documentation, address what other processes were considered, or identify which processes failed to accommodate payment within 30 days of receipt of Citibank statement.

It should be noted that in a Payment Card Audit issued December 2017, the Department's Internal Audit Division raised the same concerns identified in the 2012 post-payment audit including the need for improved management and monitoring of card activity, payment and enforceable consequences.

### **Improper Payment Method of Expenditure**

In the status update response, the Department indicated that the recommendation was partially implemented: the Department use the Citibank card management and monitoring reports to help identify improper purchases.

It should be noted that in the December 2017 Payment Card Audit, the Department's Internal Audit Division identified various weaknesses that could increase the risks of inappropriate procurement methods. Weaknesses included insufficient guidance on appropriate procurement methods, inconsistent monitoring of the program, and insufficient utilization of the Citibank online tools to facilitate monitoring and increase efficiency.

The Comptroller's office encourages the Department management to pursue resolution of these issues as soon as possible to avoid increased risks and ensure more efficient program monitoring.



## Appendix 3 — Definition of Ratings

### Compliance Areas

Definition	Rating
Agency complied with applicable state requirements and no significant control issues existed.	Fully Compliant
Agency generally complied with applicable state requirements; however, control issues existed that impact the agency's compliance, or minor compliance issues existed.	Compliant, Findings Issued
Agency failed to comply with applicable state requirements.	Non-compliant

### Internal Control Structure/Security Areas

Definition	Rating
Agency maintained effective controls over payments.	Fully Compliant
Agency generally maintained effective controls over payments; however, some controls were ineffective or not implemented.  These issues are unlikely to interfere with preventing, detecting, or correcting errors or mitigating fraudulent transactions.	Control Weakness Issues Exist
Agency failed to effectively create or implement controls over payments.	Non-compliant

### Repeat Finding

Definition	Icon
This issue was identified during the previous post-payment audit of the agency.	A circular icon with a red border and a white background, featuring a red circular arrow pointing clockwise, indicating a repeat finding.